



Customer Notice: Electric Rate Increase

As part of NorthWestern Energy's continued commitment to keeping open communications with our customers, we would like to officially notify you that on December, 19, 2014, NorthWestern Energy submitted a filing to the South Dakota Public Utilities Commission (SDPUC) requesting an electric rate increase. NorthWestern is requesting a 20.24% increase in its South Dakota electric revenues, which would increase revenues from South Dakota customers by \$26,509,557. If approved, our new rates will continue to be in the middle of the pack when compared with other utilities in the state.

We have worked hard to maintain rate stability for the past 34 years, even as we've continued to invest back in our system to maintain reliability, meet the needs of growing communities and always improve on our customer service. However, increasing federal environmental regulatory mandates and continued investment into our electric utility have created the need for a rate adjustment to ensure we can continue to provide the high level of services that you have come to expect.

Beginning in 2013, NorthWestern joined with other utilities in the state to upgrade our jointly owned power plant at Big Stone to meet federal regulations that limit pollutants linked to regional haze. The cost for this investment is near \$95-105 million and is expected to be completed in



2015. Our portion of the cost to upgrade the Neal Unit 4 plant in western Iowa was \$23 million and the work was completed last year. It is an expensive upgrade to both units, but it is less expensive in the long run to take these plants, which are in excellent operating condition and continue to be vital to our customer base, and retrofit them to reduce mercury, sulfur dioxide and nitrous oxide emissions.

NorthWestern Energy is also complying with a Federal Energy Regulatory Commission directive to transition our existing transmission system, along with that of several neighboring utilities, into a Regional Transmission Organization called the Southwest Power Pool. We evaluated other options, but determined this to be the lowest cost – least risk alternative that was available to us. To meet SPP requirements, we must upgrade various systems that support the daily scheduling and movement of power across our system.

The actual impact of the requested rate increase on individual customer bills will vary depending on the customer's rate class and amount of energy used. Based on this request, a typical residential customer using an average of 750 kilowatt-hours (kWh) of power each month will see an increase of \$16.76 per month, or about 56¢ per day. The increase experienced by commercial and industrial customers will vary depending on rate class, load factor, and amount and nature of use. The actual amount of any rate adjustments will be determined by the SDPUC and such amounts could be greater or less than initially requested. The SDPUC will also determine the actual date that new electric rates will go into effect but **customers can**

expect that the earliest new rates could go into effect would be July 1, 2015.

There are many options available to participate in the electric rate review process. You can view the actual rate case filing online at NorthWesternEnergy.com and/or at the SDPUC Web site: www.state.sd.us/puc.

A copy of the filing will also be made available at each of our office locations, where you can request a copy to look at in-person. As a Northwestern Energy South Dakota customer, you can also directly participate in the public process that is undertaken by the SDPUC. According to state law, a customer has a right to join with 24 other customers to file a written objection to a rate increase and request that the SDPUC suspend the rate increase and hold a public hearing to determine if the rate increase should be allowed (please refer to SDCL 49-43A-12).

Rate increases are always a last resort, but we're pleased that we were able to add E+ energy efficiency programs and services to our slate of customer offerings prior to this filing. We encourage customers to learn more about these opportunities, as well as learn more about the many low-cost/no-cost options to reduce their electric use ahead of the cost impact of this filing.

If you have any questions about our electric services or the proposed rate increase, please call our customer service number at: (800) 245-6977.